



**Auditor of State
Betty Montgomery**

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

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**Auditor of State
Betty Montgomery**

REPORT OF INDEPENDENT ACCOUNTANTS

Saybrook Township
Ashtabula County
7247 Center Road
Ashtabula, OH 44004

To the Board of Trustees:

We have audited the accompanying financial statements of Saybrook Township, (the Township), Ashtabula County as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Saybrook Township
Ashtabula County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 24, 2004

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$161,535	\$1,723,926		\$1,885,461
Intergovernmental	181,643	314,020	4,060	499,723
Special Assessments		57,727		57,727
Charges for Services		10,710		10,710
Licenses, Permits, and Fees	5,451	13,765		19,216
Earnings on Investments	13,612	388		14,000
Other Revenue	1,989	60,247		62,236
Total Cash Receipts	<u>364,230</u>	<u>2,180,783</u>	<u>4,060</u>	<u>2,549,073</u>
Cash Disbursements:				
Current:				
General Government	257,061			257,061
Public Safety	452	1,042,909		1,043,361
Public Works	3,489	776,252		779,741
Health	78,414	15,071		93,485
Capital Outlay	14,772	146,168	4,060	165,000
Total Cash Disbursements	<u>354,188</u>	<u>1,980,400</u>	<u>4,060</u>	<u>2,338,648</u>
Total Receipts Over/(Under) Disbursements	<u>10,042</u>	<u>200,383</u>		<u>210,425</u>
Other Financing Receipts and (Disbursements):				
Other Sources	<u>2,236</u>	<u>5,400</u>		<u>7,636</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	12,278	205,783		218,061
Fund Cash Balances, January 1	<u>194,162</u>	<u>899,857</u>		<u>1,094,019</u>
Fund Cash Balances, December 31	<u>\$206,440</u>	<u>\$1,105,640</u>	<u>\$0</u>	<u>\$1,312,080</u>
Reserve for Encumbrances, December 31	<u><u>\$5,547</u></u>	<u><u>\$196,391</u></u>	<u><u>\$0</u></u>	<u><u>\$201,938</u></u>

The notes to the financial statements are an integral part of this statement.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Fiduciary Fund Types		Totals (Memorandum Only)
	Nonexpendable Trust	Agency	
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		\$637	\$637
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements		235	235
Net Receipts Over/(Under) Disbursements		402	402
Fund Cash Balances, January 1	150	5,786	5,936
Fund Cash Balances, December 31	\$150	\$6,188	\$6,338

The notes to the financial statements are an integral part of this statement.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$161,387	\$1,803,688	\$1,965,075
Intergovernmental	174,239	216,840	391,079
Special Assessments		44,175	44,175
Charges for Services		7,125	7,125
Licenses, Permits, and Fees	8,036	13,839	21,875
Fines, Forfeitures, and Penalties	150		150
Earnings on Investments	19,107	476	19,583
Other Revenue	15,368	30,233	45,601
	<u>378,287</u>	<u>2,116,376</u>	<u>2,494,663</u>
Total Cash Receipts			
	<u>378,287</u>	<u>2,116,376</u>	<u>2,494,663</u>
Cash Disbursements:			
Current:			
General Government	247,401		247,401
Public Safety		889,815	889,815
Public Works	3,255	679,121	682,376
Health	64,722	21,327	86,049
Capital Outlay	335,673	226,377	562,050
	<u>651,051</u>	<u>1,816,640</u>	<u>2,467,691</u>
Total Cash Disbursements			
	<u>651,051</u>	<u>1,816,640</u>	<u>2,467,691</u>
Total Receipts Over/(Under) Disbursement:	<u>(272,764)</u>	<u>299,736</u>	<u>26,972</u>
Other Financing Receipts and (Disbursements)			
Other Sources	2,164	4,905	7,069
	<u>2,164</u>	<u>4,905</u>	<u>7,069</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursement:	(270,600)	304,641	34,041
Fund Cash Balances, January 1	464,762	595,216	1,059,978
	<u>464,762</u>	<u>595,216</u>	<u>1,059,978</u>
Fund Cash Balances, December 31	<u>\$194,162</u>	<u>\$899,857</u>	<u>\$1,094,019</u>
Reserve for Encumbrances, December 31	<u>\$11,641</u>	<u>\$60,232</u>	<u>\$71,873</u>

The notes to the financial statements are an integral part of this statement

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Nonexpendable Trust</u>	<u>Agency</u>	
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		\$353	\$353
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements		316	316
Net Receipts Over/(Under) Disbursements		37	37
Fund Cash Balances, January 1	150	5,749	5,899
Fund Cash Balances, December 31	<u>\$150</u>	<u>\$5,786</u>	<u>\$5,936</u>

The notes to the financial statements are an integral part of this statement.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Saybrook Township, Ashtabula County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

STAR Ohio is recorded at share values reported by the mutual fund.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Fire District Fund - This fund receives property tax money to provide fire protection and emergency medical services to the Township and the following communities (per agreement): Austinburg Township, Plymouth Township, and Sheffield Township.

Special Assessment Fund - This fund receives lighting assessments proceeds with the real estate tax settlements received from the county auditor.

3. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had one significant capital project fund:

Issue II Fund - The Township received a grant from the State of Ohio for the Brown Road project.

5. Fiduciary Funds (Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary funds:

Unclaimed Monies Fund – This fund is used to account for outstanding, stale-dated checks which represent a legal debt of the Township.

Cemetery Bequest Fund – This fund is used to account for cemetery bequests.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2003	2002
Demand deposits	\$24,308	\$14,789
Passbook savings accounts	1,219,698	200,692
Total deposits	1,244,006	215,481
Investments:		
STAR Ohio	74,412	884,474
Total deposits and investments	\$1,318,418	\$1,099,955

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$302,000	\$366,466	\$64,466
Special Revenue	2,019,000	2,186,183	167,183
Capital Projects	270,400	4,060	(266,340)
Fiduciary	0	637	637
Total	\$2,591,400	\$2,557,346	(\$34,054)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$497,141	\$359,735	\$137,406
Special Revenue	2,917,791	2,176,791	741,000
Capital Projects	270,400	4,060	266,340
Fiduciary	5,785	235	5,550
Total	\$3,691,117	\$2,540,821	\$1,150,296

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$395,000	\$380,451	(\$14,549)
Special Revenue	1,810,820	2,121,281	310,461
Fiduciary	0	353	353
Total	\$2,205,820	\$2,502,085	\$296,265

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$858,199	\$662,692	\$195,507
Special Revenue	2,415,072	1,876,872	538,200
Fiduciary	5,748	316	5,432
Total	\$3,279,019	\$2,539,880	\$739,139

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

6. RISK MANAGEMENT (Continued)

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per -claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding up \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: (Please note this is the most recent information available).

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	9,197,512	9,379,003
Retained Earnings	\$14,559,524	\$14,324,773
<u>Property Coverage</u>		
Assets	\$6,596,996	\$5,011,131
Liabilities	1,204,326	647,667
Retained Earnings	\$5,392,670	\$4,363,464



**Auditor of State
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Saybrook Township
Ashtabula County
7247 Center Road
Ashtabula, OH 44004

To the Board of Trustees:

We have audited the accompanying financial statements of Saybrook Township (the Township), Ashtabula County as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 24, 2004.

Saybrook Township
Ashtabula County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 24, 2004



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

SAYBROOK TOWNSHIP

ASHTABULA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 5, 2004**